The Keys to Effective Decision Making

How To Build Buy-In For Decision Making Frameworks Using Business Simulations And Key Learnings
How Decisions are Made

Decision making is a critical component of business acumen and is a much-studied topic in business circles. How can we make more effective decisions? What does an effective decision even look like? What gets in the way of smart decision making? There are as many questions as there are proposed theories, and sometimes the sheer size of the problem confounds any attempt to embrace a solution. Sometimes it pays to observe the problem in a microcosm of a simulation.
One recent business simulation experience presented a perfect opportunity to examine decision making in action, dissect the forces that inhibit it and expand upon key success factors. A large insurance provider decided that it needed its top 100 leaders to adopt a process for making better business decisions. To create a platform for adopting their new decision-making framework, they ran a short exercise at a leadership summit. The exercise involved breaking the group into teams of five or six, immersing them in a realistic case study and technology-based business simulation that was customized to reflect their company, and having them make a real-life strategic decision with which the business was grappling.

This kind of exercise – especially in this kind of setting – is a powerful learning experience and can lead to new insights about the decision-making process that would be much harder to find elsewhere. We were able to observe the highs and lows of decision making with great clarity. In fact, we came away with some unexpected insights about how the human components of any decision collide with the organizational ones; we saw how “analysis paralysis” and organizational friction affect even small teams, but we also found clues about how to overcome them.

The exercise itself was broken down into two distinct rounds. In Round 1, teams received the case study, which effectively put them into the shoes of a leadership team of a company called HealthCo. Their goals were to drive geographical expansion, build customer
relationships and innovate new solutions. The teams were tasked with deciding among four strategic investments and making a recommendation to HealthCo’s board of directors. Time was intentionally tight, allowing for only 15 minutes in which to confront the challenge, weigh options and decide.

The choices they made seemed less relevant after the fact; what matters is how they made them. The teams received background on the company and the decision they needed to make, but no guidance on how to undertake the exercise. Our facilitators noticed from the very start that none of the two dozen teams made any recognizable effort to organize themselves or their thoughts before jumping into debate about the strategic options. Shortly into the exercise, the facilitators observed varying degrees of the following among the teams – chaos, frustration, stress and aimlessness.
Creating Friction

A common refrain amongst participants was how difficult it was to manage the decision process – and then ultimately decide as a group with one voice – without a leader or any other defined roles for the team members. “We were not able to act like a smart mob,” one team confessed in a comment that echoed throughout the exercise at large. Another team’s particularly illuminating feedback reads like an SOS from a doomed ship: “Limited information. Market confusion. Multiple good options. Limited capital. Multiple decision makers...No governance.”
theories of warfare have been adapted to the context of business, since they hold unique insights about how large competitive organizations function. In the nineteenth century, he proposed his theory of friction as a pervasive, interrelated series of minor complications, moments of uncertainty and small failures of execution that accumulate at the individual level to produce an ultimately dysfunctional system in which “everything is very simple, but the simplest thing is difficult.”

Friction manifests, writes Stephen Bungay, “when human beings with independent wills try to achieve a collective purpose in a fast changing, complex environment where the future is fundamentally unpredictable.” In our view, this is an excellent corollary for what happened in the first round of this exercise, where we were able to observe a huge amount of “friction” in the space of 15 minutes. The pattern is all too common: a team struggles to arrive at any decision because each individual
member has his or her own point of view on all the variables in front of them; each potentially has competing priorities as to which variables are most important to the decision, but even if they agree, they might not be willing to make one decision given the opportunity cost of not choosing a different path. Different team members have different levels of tolerance for absorbing opportunity costs or making any decision that they know will have residual effects elsewhere, tweaking their uncertainties and reluctance throughout the process. The complex can quickly spiral out of control; it’s easy to see how this kind of gridlock can stall any decision-making process.

This is friction at the individual level, which, when multiplied by all the actors involved, makes for a difficult, stressful decision-making process that engenders little confidence on the part of the participants that they have made an effective choice. This was true in teams of five to six people, so imagine its full manifestation across a company of 50,000. How can they follow through with a decision effectively if they aren’t absolutely confident that they made the right choice? One participant leaves feedback in the form of a similar question: “Do we even have the right people making decisions?” Clausewitz’s concept of friction was conceived to describe dysfunctions within gigantic organizations, but we can see that it affects teams of people as small as five. How can small teams overcome friction of their own?
Clarifying Roles and Responsibilities

Before the second round of the simulation began, a debriefing of the first round, showed participants saw how they performed in making their decisions in comparison to each other and against the best possible score. Not surprisingly, given participants’ feedback on the first round, the results left a lot of room for improvement.
Our participants then jumped into a know-how session that elaborates on the decision-making framework – one that, appropriately enough, focused very much on the human interactions that go into making a decision. Specifically, it emphasized the importance of clarity in the decision making process: Who is the decision maker? Who needs to be involved in the decision making process? What happens if the decision is made and someone comes out of the woodwork wanting to provide input after the fact?

As participants began the second round of the simulation, they were much clearer on process. The task at hand was similar to the first round, but this time each team had to choose two strategic options from a total of four, with the goal of choosing projects that would maximize HealthCo’s earnings in the next year. But this time the participants had to appoint one member from each team as their official Decision Maker, who would have final responsibility for making the decision and ensuring its execution. Other members would be identified as Decision Contributors under assumed roles and responsibilities analogous to a real-life organization – one member becomes acting CFO, another opts for COO, and so on. The purpose of this arrangement was to apply some semblance of order to the chaos that defined the first round. They also agreed on their decision-making approach and process.
Was it effective?

The effect of that clarity on the team’s mindset and outlook was profound, lending new purpose and urgency to each individual’s point of view, helping them more effectively organize and prioritize the information most relevant to the decision – and avoiding analysis paralysis. To the former point, one team gushed that “everyone listened instead of trying to sell their point of view,” marking a distinct departure from the “smart mob” mentality seen just before. Clearer role definition “allowed us to more effectively assess options and make a decision” and provided “better governance, better participation, diverse cross-functional expertise.” The net effects of these changes were immediately apparent. Each team actually had more time to discuss the options available, weigh outcomes and choose two strategic initiatives to recommend to their boards. But most actually made their decisions in less time and all teams did so with less hassle than in the chaotic first round.

Based on our experiences from this and similar decision-making programs we have run for other clients, we can confidently point to two effective and co-dependent strategies for making better decisions and avoiding friction and issues like analysis paralysis.

1. **Decision teams should clearly define the roles and expectations for each person involved.**
   
   Who “owns the decision?” How do others contribute to it? These are important questions with big implications.

2. **The leader (or decision “owner”) should stimulate and moderate as much diverse, interesting and insightful input as possible from other team members.** If the business in general needs deep insights into its customers’ needs and attitudes in order to produce in-demand goods and services, so, too, does a decision maker need insights into the needs and attitudes of his or her own team members, who will reveal their own insights about the needs of the business they aim to serve. Participants definitely came away from this exercise with that lesson in their minds. “We need to take time to consider different points of view and consider alternatives before making decisions,” responded one participant, summarizing the group’s commitment to realize this change back on the job.

While it may seem a bit counter-intuitive to make this kind of broadly inclusive (and possibly time-consuming) effort in the hopes of streamlining your decision-making process, in actual practice, this extra effort pays dividends. The difference between having a lot of information and having too much can be hard for some decision makers to negotiate. The trick is to focus on what information is most important to you and your team. When team members have these discussions with one another...
more often and more meaningfully, they get a clearer sense of what metrics, information and outcomes matter the most to the decision, which lets them see past the less important “distraction” information and stay agile. If they did not have this kind of rapport or diligence of input, the group would likely just try to guess at some consensus about what matters most (“act like a smart mob...”) and would probably make a less than ideally informed decision, assuming they managed to act at all.

We actually look for these behaviors in participants from many of our other simulation programs. Simulations present a microcosm of the broader business environment, in which teams have to make decisions to guide their business. Time after time, we have found that this particular behavior – marked by the extent to which a team fosters debate and input from all members – is strongly correlated to their final performance in the simulation. In fact, among all the behaviors we evaluate at our programs, this is the most highly concentrated and wholly embraced among high-performing teams.
Who is the decision maker?

Who needs to be involved in the decision making process?

What happens if the decision is made and someone comes out of the woodwork wanting to provide input after the fact?
Own Your Role

An important aspect of this kind of debate and discussion – especially as it relates to team-based decision making – is to exert reasonable pushback and cultivate constructive dissent. High-performing leaders understand the dangers of reaching group consensus too easily – rightly suspecting that perhaps it’s a sign of complacency or groupthink – and know how to stimulate group discussion that challenges their original assumptions.
To continue the historical example from before, consider the words one of Clausewitz’s contemporaries as he explained to one of his subordinates, “The King made you a staff officer because you should know when not to obey!”  

If one team member was assigned a role akin to a “devil’s advocate,” for instance, with the specific task of pushing back against the majority opinion, the team would suddenly be faced with a critical analysis of their decision strategy that they simply would not have experienced otherwise, adding a new dimension of value to the discussions and debate they already have. This was a favorite tactic of Alfred P. Sloan as the chairman of General Motors. When his team was unanimous in its support for a given plan, he proposed that they take some additional time to “develop some disagreement and perhaps give [ourselves] some understanding of what the decision is all about.”
We know that greater role clarity helps to mitigate organizational friction because it provides a more obvious pathway for accountability and execution of any strategy, but this is also where the importance of clear role definition returns to the fore as a tool for avoiding analysis paralysis. When everyone has a distinct position and role in the decision, and they are engaging with one another to explore alternatives and share their own opinions, then it is much easier and much more natural for them to come to an “understanding of what the decision is all about.” It will be easier for them to identify what’s really important and focus all their attention on those specific elements of the decision. Leaders cannot afford to lose this valuable perspective through easy, passive consensus, and this imperative for diversity of input fits perfectly with the need to assign clear roles and responsibilities in the decision group.

In fact, these decision tools are fundamental indicators of strategic mindset – in which each decision maker is empowered by their insight into the broader organization and its strategy – that also build stronger mindset in their practitioners. Any team that commits to these practices can expect to benefit from more engaged and strategically aware members who make more informed and impactful decisions.
Key Decision-Making Takeaways

- Be clear about roles and responsibilities. Make sure that the person who is ultimately responsible for executing the decision is involved in making that decision in the first place.

- Seek diverse input from team members. The last thing you need is groupthink about a given issue. Don’t be afraid to challenge consensus and push back against seemingly obvious choices.

- Own your role! Ensure that the voice of your department or function comes out in decision-making meetings. If you’re in charge of finance, be sure to keep a decision’s financial implications front and center.

- Focus on what’s important. It’s important to consider the available information and data carefully before making any decision, but don’t become paralyzed by too much information. Talk with your team to decide what data points are most important to your decision and focus primarily on those.
References
